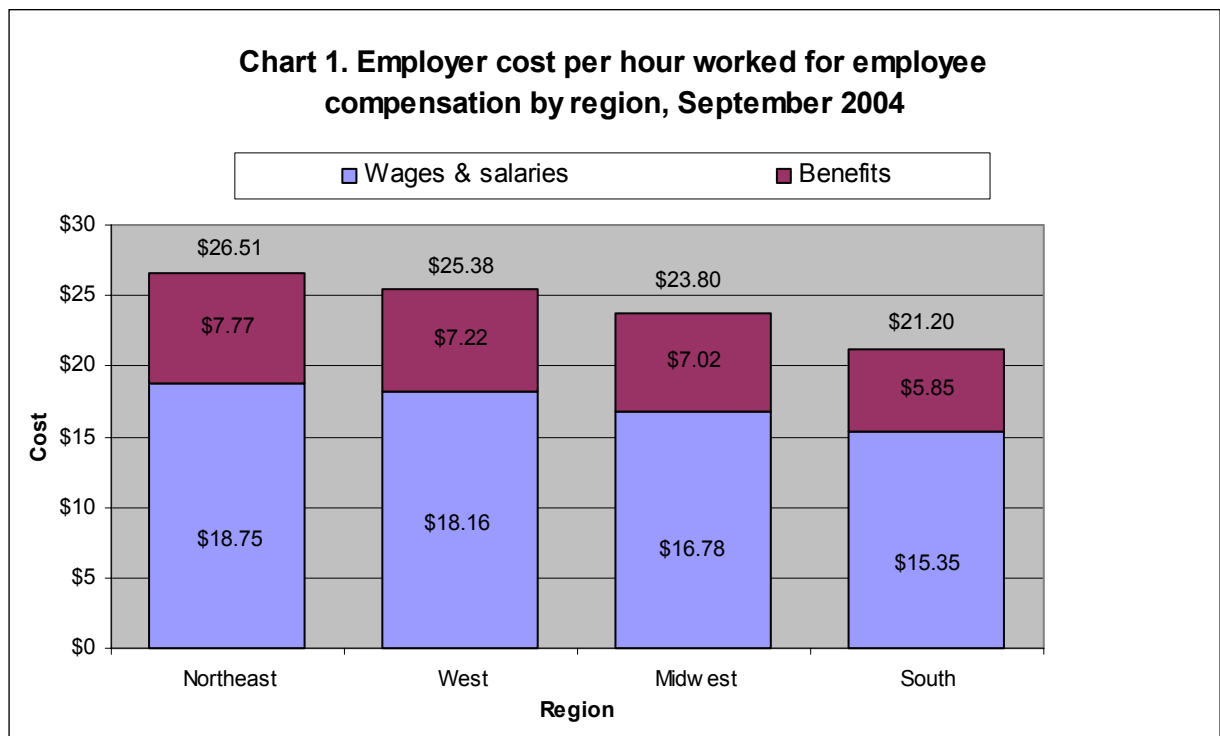




## EMPLOYER COSTS FOR EMPLOYEE COMPENSATION FOR THE REGIONS – SEPTEMBER 2004

Employer costs for employee compensation among the four Census regions ranged from \$21.20 per hour in the South to \$26.51 in the Northeast for the year ended September 2004, according to the U.S. Department of Labor's Bureau of Labor Statistics. Regional Commissioner Stanley W. Suchman noted that employer costs for employee compensation in the other two regions were \$23.80 in the Midwest and \$25.38 in the West. (See chart 1.) In addition to regional estimates, employer costs for nine geographic divisions are also available. Within divisions, total compensation costs ranged from \$19.76 in the East South Central division to \$27.08 in the Pacific division. Employer Costs for Employee Compensation is based on the National Compensation Survey which measures employer costs for wages, salaries, and employee benefits. (See table 1. Geographic definitions of the regions and divisions are contained in the Technical Note.)



In the Northeast, wages and salaries, at \$18.75, made up 70.7 percent of total compensation costs. Benefits costs, at \$7.77, accounted for the remaining 29.3 percent. Legally required benefits, which include Social Security, Workers' Compensation, and Unemployment Insurance, averaged \$2.24 per hour worked in the Northeast and represented 8.5 percent of total compensation costs. Insurance costs, including health, life, short- and long-term disability, averaged \$1.87 per hour worked, accounting for 7.1 percent of total compensation, while paid leave, which includes vacation, holiday, sick, and other leave, was \$1.85 per hour representing 7.0 percent of all compensation costs.

Wages and salaries averaged \$18.16 in the West and accounted for 71.5 percent of the total compensation costs. Total benefits averaged \$7.22, representing 28.5 percent of all costs. Legally required benefits averaged \$2.41 per hour worked accounting for 9.5 percent of total compensation costs in the West. Insurance costs averaged \$1.68 per hour worked and represented 6.6 percent of total compensation, while paid leave was \$1.60 per hour or 6.3 percent of all costs.

Wages and salaries in the Midwest accounted for \$16.78 of total compensation, representing 70.5 percent of total compensation costs. Total benefits, averaging \$7.02 per hour, accounted for 29.5 percent of total compensation. Legally required benefits cost employers \$2.00 per hour worked or 8.4 percent of total compensation costs. Insurance was \$1.80 per hour worked and represented 7.6 percent of total compensation. The cost of paid leave in the Midwest averaged \$1.48 per hour, accounting for 6.2 percent of total compensation.

In the South, wages and salaries, at \$15.35, made up 72.4 percent of the total compensation costs and total benefits, at \$5.85, accounted for the remaining 27.6 percent. Among the largest benefit categories were legally required benefits averaging \$1.80 per hour worked and representing 8.5 percent of total compensation costs in the South. Insurance costs averaged \$1.49 per hour worked and accounted for 7.0 percent of total compensation, while paid leave averaged \$1.31 per hour representing 6.2 percent of compensation costs.

Overall, compensation costs among private industry employers in the United States averaged \$23.76 per hour worked in September 2004. Wages and salaries, at \$16.96, accounted for 71.4 percent of the total costs, while benefits, at \$6.80, made up the remaining 28.6 percent. This is up from 27.0 percent of total compensation in 1999.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, and area, September 2004

Compensation component	Census region and division(1)									
	Northeast		Northeast divisions				South		South divisions	
	Cost	Percent	New England		Middle Atlantic		Cost	Percent	South Atlantic	
			Cost	Percent	Cost	Percent			Cost	Percent
Total compensation	\$26.51	100.0	\$25.25	100.0	\$27.04	100.0	\$21.20	100.0	\$21.69	100.0
Wages and salaries	18.75	70.7	18.12	71.8	19.01	70.3	15.35	72.4	15.79	72.8
Total benefits	7.77	29.3	7.13	28.2	8.03	29.7	5.85	27.6	5.90	27.2
Paid leave	1.85	7.0	1.69	6.7	1.92	7.1	1.31	6.2	1.37	6.3
Vacation	.89	3.4	.81	3.2	.93	3.4	.65	3.1	.68	3.2
Holiday	.64	2.4	.6	2.4	.65	2.4	.45	2.1	.47	2.1
Sick	.24	0.9	.21	0.8	.25	0.9	.16	0.7	.16	0.7
Other	.08	0.3	.07	0.3	.09	0.3	.05	0.3	.06	0.3
Supplemental pay	.76	2.9	.71	2.8	.78	2.9	.53	2.5	.52	2.4
Overtime and premium(2)	.22	0.8	.23	0.9	.22	0.8	.22	1.0	.22	1.0
Shift differentials	.06	0.2	.06	0.2	.06	0.2	.05	0.2	.05	0.2
Nonproduction bonuses	.47	1.8	.42	1.7	.50	1.8	.27	1.3	.25	1.2
Insurance	1.87	7.1	1.64	6.5	1.97	7.3	1.49	7.0	1.47	6.8
Life	.05	0.2	.04	0.2	.05	0.2	.04	0.2	.04	0.2
Health	1.73	6.5	1.53	6.1	1.81	6.7	1.37	6.5	1.35	6.2
Short-term disability	.06	0.2	.04	0.2	.07	0.3	.04	0.2	.04	0.2
Long-term disability	.03	0.1	.04	0.1	.03	0.1	.03	0.1	.03	0.2
Retirement and savings	.99	3.7	.89	3.5	1.04	3.8	.68	3.2	.69	3.2
Defined benefit	.45	1.7	.35	1.4	.49	1.8	.30	1.4	.29	1.3
Defined contribution	.54	2.0	.54	2.1	.54	2.0	.38	1.8	.40	1.8
Legally required benefits	2.24	8.5	2.17	8.6	2.27	8.4	1.80	8.5	1.83	8.5
Social Security and Medicare	1.58	5.9	1.54	6.1	1.59	5.9	1.28	6.0	1.32	6.1
Social Security (3)	1.26	4.8	1.23	4.9	1.28	4.7	1.03	4.9	1.06	4.9
Medicare	.31	1.2	.30	1.2	.32	1.2	.25	1.2	.26	1.2
Federal unemployment insurance	.03	0.1	.03	0.1	.03	0.1	.03	0.2	.03	0.2
State unemployment insurance	.20	0.8	.21	0.8	.19	0.7	.10	0.5	.09	0.4
Workers' compensation	.43	1.6	.39	1.6	.45	1.7	.39	1.8	.39	1.8
Other benefits(4)	.05	0.2	.04	0.2	.06	0.2	.03	0.1	.03	0.1

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, and area, September 2004 - Continued

Compensation component	Census region and division(1)									
	South divisions				Midwest		Midwest divisions			
	East South Central		West South Central		Cost	Percent	East North Central		West North Central	
	Cost	Percent	Cost	Percent			Cost	Percent	Cost	Percent
Total compensation	\$19.76	100.0	\$21.07	100.0	\$23.80	100.0	\$24.55	100.0	\$22.13	100.0
Wages and salaries	13.97	70.7	15.28	72.5	16.78	70.5	17.09	69.6	16.11	72.8
Total benefits	5.79	29.3	5.79	27.5	7.02	29.5	7.46	30.4	6.02	27.2
Paid leave	1.17	5.9	1.29	6.1	1.48	6.2	1.57	6.4	1.29	5.8
Vacation	.59	3.0	.63	3.0	.73	3.1	.77	3.1	.65	2.9
Holiday	.40	2.0	.45	2.1	.51	2.1	.54	2.2	.43	1.9
Sick	.14	0.7	.16	0.7	.16	0.7	.17	0.7	.15	0.7
Other	.05	0.3	.05	0.2	.08	0.3	.08	0.3	.06	0.3
Supplemental pay	.64	3.2	.52	2.5	.73	3.1	.81	3.3	.56	2.5
Overtime and premium(2)	.23	1.2	.23	1.1	.28	1.2	.30	1.2	.24	1.1
Shift differentials	.06	0.3	.04	0.2	.07	0.3	.08	0.3	.06	0.3
Nonproduction bonuses	.35	1.8	.25	1.2	.38	1.6	.43	1.7	.27	1.2
Insurance	1.58	8.0	1.48	7.0	1.80	7.6	1.92	7.8	1.54	6.9
Life	.04	0.2	.04	0.2	.04	0.2	.04	0.2	.04	0.2
Health	1.46	7.4	1.37	6.5	1.68	7.1	1.79	7.3	1.43	6.5
Short-term disability	.06	0.3	.04	0.2	.05	0.2	.05	0.2	.05	0.2
Long-term disability	.02	0.1	.03	0.1	.03	0.1	.03	0.1	.03	0.1
Retirement and savings	.62	3.1	0.70	3.3	.94	4.0	1.03	4.2	.75	3.4
Defined benefit	.28	1.4	.33	1.6	.54	2.3	.62	2.5	.38	1.7
Defined contribution	.34	1.7	.37	1.8	.40	1.7	.42	1.7	.37	1.7
Legally required benefits	1.75	8.9	1.77	8.4	2.00	8.4	2.07	8.4	1.86	8.4
Social Security and Medicare	1.21	6.1	1.25	5.9	1.49	5.9	1.44	5.9	1.29	5.8
Social Security (3)	.98	4.9	1.01	4.8	1.12	4.7	1.16	4.7	1.02	4.6
Medicare	.23	1.2	.25	1.2	.28	1.2	.28	1.2	.27	1.2
Federal unemployment insurance	.03	0.2	.03	0.2	.03	0.1	.03	0.1	.03	0.1
State unemployment insurance	.11	0.5	.11	0.5	.14	0.6	.15	0.6	.12	0.6
Workers' compensation	.40	2.0	.38	1.8	.43	1.8	.44	1.8	.41	1.9
Other benefits(4)	.03	0.1	.03	0.1	.06	0.2	.07	0.3	.03	0.1

See footnotes at end of table.

Table 1. Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Private industry workers, by census region and division, and area, September 2004 - Continued

Compensation component	Census region and division(1)					
	West		West divisions			
	Cost	Percent	Mountain		Pacific	
			Cost	Percent	Cost	Percent
Total compensation	\$25.38	100.0	\$21.07	100.0	\$27.08	100.0
Wages and salaries	18.16	71.5	15.23	72.3	19.32	71.3
Total benefits	7.22	28.5	5.85	27.7	7.76	28.7
Paid leave	1.60	6.3	1.21	5.8	1.75	6.5
Vacation	.8	3.2	.62	2.9	.88	3.2
Holiday	.54	2.1	.40	1.9	.60	2.2
Sick	.20	0.8	.16	0.7	.22	0.8
Other	.05	0.2	.04	0.2	.06	0.2
Supplemental pay	.65	2.6	.60	2.8	.67	2.5
Overtime and premium(2)	.23	0.9	.22	1.1	.23	0.8
Shift differentials	.05	0.2	.05	0.2	.05	0.2
Nonproduction bonuses	.37	1.5	.32	1.5	.39	1.4
Insurance	1.68	6.6	1.44	6.8	1.77	6.5
Life	.04	0.1	.03	0.1	.04	0.1
Health	1.58	6.2	1.36	6.5	1.66	6.1
Short-term disability	.03	0.1	.03	0.1	.03	0.1
Long-term disability	.03	0.1	.02	0.1	.04	0.1
Retirement and savings	.86	3.4	.65	3.1	.94	3.5
Defined benefit	.41	1.6	.23	1.1	.48	1.8
Defined contribution	.45	1.8	.41	2.0	.46	1.7
Legally required benefits	2.41	9.5	1.93	9.2	2.61	9.6
Social Security and Medicare	1.50	5.9	1.29	6.1	1.59	5.9
Social Security (3)	1.21	4.8	1.04	4.9	1.27	4.7
Medicare	.30	1.2	.25	1.2	.32	1.2
Federal unemployment insurance	.03	0.1	.03	0.2	.03	0.1
State unemployment insurance	.17	0.7	.10	0.5	.19	0.7
Workers' compensation	.71	2.8	.50	2.4	.79	2.9
Other benefits(4)	.02	0.1	(5)	(6)	.03	0.1

1 The States that comprise the census divisions are: New England: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont; Middle Atlantic: New Jersey, New York, and Pennsylvania; South Atlantic: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia; East South Central: Alabama, Kentucky, Mississippi, and Tennessee; West South Central: Arkansas, Louisiana, Oklahoma, and Texas; East North Central: Illinois, Indiana, Michigan, Ohio, and Wisconsin; West North Central: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota; Mountain: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming; and Pacific: Alaska, California, Hawaii, Oregon, and Washington.

the regular work schedule (such as overtime,

3 Comprises the Old-Age, Survivors, and Disability Insurance (OASDI) program.

4 Includes severance pay and supplemental unemployment benefits.

5 Cost per hour worked is \$0.01 or less.

6 Less than .05 percent.

Note: The sum of individual items may not equal totals due to rounding.

## EXPLANATORY NOTES

Employer Costs for Employee Compensation (ECEC) measures the average cost per employee hour worked that employers pay for wages and salaries and benefits. Employer costs for employee compensation in this release cover occupations in private industry only. Excluded from private industry are the self-employed and farm and private household workers.

Wages and salaries are defined as the hourly straight-time wage rate or, for workers not paid on an hourly basis, straight-time earnings divided by the corresponding hours. Straight-time wage and salary rates are total earnings before payroll deductions and include production bonuses, incentive earnings, commission payments, and cost-of-living adjustments. Not included in straight-time earnings are nonproduction bonuses such as lump-sum payments provided in lieu of wage increases, shift differentials, and premium pay for overtime and for work on weekends and holidays; these payments are included in the benefits component.

Benefits include: Paid leave-vacations, holidays, sick leave, and other leave; supplemental pay-overtime and premium pay for work in addition to the regular work schedule (such as weekends and holidays), shift differentials, and nonproduction bonuses (such as referral bonuses and lump-sum payments provided in lieu of wage increases); insurance benefits-life, health, short-term disability, and long-term disability; retirement and savings benefits-defined benefit and defined contribution plans; legally required benefits-Social Security, Medicare, Federal and State unemployment insurance, and workers' compensation; and other benefits-severance pay and supplemental unemployment plans.

The cost levels for this quarter were collected from a probability sample of about 35,600 occupations within approximately 8,200 sample establishments in private industry. Data are collected for the pay period including the 12th day of the survey months of March, June, September, and December.

Beginning with the March 2004 estimates, the ECEC percent of total compensation estimates are calculated from dollar aggregates and then rounded to the published level of precision. This change in method will provide the most precise estimates of the percent of total compensation; however, estimates of the percentage of total compensation calculated from the published cost estimates may differ slightly from those calculated from the unpublished dollar aggregates.

Current employment weights are used to calculate cost levels. The March 2004 cost levels were calculated using the March 2004 employment counts from the Bureau of Labor Statistics Current Employment Statistics (CES) program, benchmarked to the 2003 universe of all private nonfarm establishments. For more information on the CES updating of employment estimates, see "BLS National Establishment Estimates Revised to Incorporate March 2003 Benchmarks" in the February 2004 issue of Employment and Earnings.

In most instances, private industry employment counts used in the ECEC were total employment estimates for 3-digit sub-sector industry groups as defined by the North American Industry Classification System (NAICS), such as machinery manufacturing (NAICS 333) or gasoline stations (NAICS 447). In a few cases, more detailed private industry employment counts were used. These include 4-digit educational establishments--elementary and secondary schools (6111), junior colleges (6112), and colleges and universities (6113)--as well as the 6-digit aircraft manufacturing industry (336411). The employment data were apportioned based on the sampling weights assigned to the Employment Cost Index (ECI) sample. For more information on NAICS coding, see "Recent changes in the national Current Employment Statistics survey" in the June 2003 issue of the Monthly Labor Review. NOTE: The ECEC program converted to the 2002 North American Industry Classification System as well as the Standard Occupational Classification System (SOC) with the release of March 2004 estimates.

The ECI, which measures the change in employer costs for employee compensation, is calculated with fixed 1990 employment counts to prevent employment shifts among occupations and industries from influencing the changes. Therefore, year-to-year changes in Employer Costs for Employee Compensation will differ from those in the ECI.

Historical ECEC data, using the industry categories based on the 1987 Standard Industrial Classification System and classifying jobs into occupational classifications according to the 1990 Census of Population, are available from several sources. Data and related articles are included in the bulletin, Employer Costs for Employee Compensation, 1986-99 (Bulletin 2508). An annual historical summary from March 1986 through March 2002 is also available on the Internet site (<http://www.bls.gov/ncs/ect/home.htm>) or upon request. Data on a quarterly basis from June 2002 through December 2003 is also available. Information on how costs are calculated appears in "Measuring Trends in

the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. An article on changes in employer compensation costs, "Tracking Changes in Benefit Costs," appears in Compensation and Working Conditions, Spring 1999.

### **Relative Standard Errors**

Because the ECEC is a sample survey, it is subject to sampling errors. Sampling errors are differences that occur between the results computed from a sample of observations and those computed from all observations in the population. The estimates derived from different samples selected using the same sample design may differ from one another. A measure of the variation among these differing estimates is the standard error. It can be used to measure the precision with which an estimate from a particular sample approximates the expected result of all possible samples. The chances are about 68 out of 100 that an estimate from the survey differs from a complete population figure by less than the standard error. The chances are about 90 out of 100 that this difference would be less than 1.6 times the standard error. All the statements of comparisons appearing in this publication are significant at a 1.6 standard error level or better, unless otherwise indicated. This means that for differences cited, the estimated difference is greater than 1.6 times the standard error of the difference.

The relative standard error (RSE) for all estimates will be available shortly after the release is issued. This information can be obtained directly from the BLS Internet site (<http://www.bls.gov/ncs/ect/home.htm>), by e-mail request ([ocltinfo@bls.gov](mailto:ocltinfo@bls.gov)), or by telephone (202) 691-6199.

For a more detailed explanation of relative standard errors, see "Measuring Trends in the Structure and Levels of Employer Costs for Employee Compensation," Compensation and Working Conditions, Summer 1997. For a detailed explanation of how to use standard error data to analyze differences in year-to-year changes, see "Analyzing Year-to-Year Changes in Employer Costs for Employee Compensation," Compensation and Working Conditions, Spring 1998. This article supplements an article from the Summer 1997 issue of Compensation and Working Conditions, "Explaining the Differential Growth Rates of the ECI and ECEC," which examined how differences in the construction of these measures contribute to differing trends.

Standard errors relate to differences that occur from sampling errors, but not from nonsampling errors. Nonsampling errors are not measured and include survey nonresponse and data collection and processing errors. Survey nonresponse occurs when sample members are unwilling or unable to participate in the survey. Data collection errors include inaccurate data by respondents and definitional difficulties. Processing errors include errors in recording, coding, and entering data. Although nonsampling errors are not measured, BLS quality assurance programs contain procedures for reducing such errors. These procedures include data collection reinterviews, observed interviews, computer data edits, and systematic review of reports on which data are recorded. Extensive field economist training also is conducted to maintain high data collection standards.

### **Regional definitions:**

#### *Northeast region*

- New England division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Middle Atlantic division: New Jersey, New York, Pennsylvania

#### *Midwest region*

- East North Central division: Illinois, Indiana, Michigan, Ohio, Wisconsin
- West North Central division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

#### *South region*

- South Atlantic division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
- East South Central division: Alabama, Kentucky, Mississippi, Tennessee
- West South Central division: Arkansas, Louisiana, Oklahoma, Texas

#### *West region*

- Mountain division: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming
- Pacific division: Alaska, California, Hawaii, Oregon, Washington

**Obtaining information**

Information on compensation cost trends over time is available in the Bureau of Labor Statistics report on the Employer Cost for Employee Compensation, 1986-99, Bulletin 2508 and the Employment Cost Indexes, 1975-99, Bulletin 2532. Information on the incidence and detailed provisions of selected employee benefit plans is published in Employee Benefits in State and Local Governments, 1998, Bulletin 2531; Employee Benefits in Medium and Large Private Establishments, 1997, Bulletin 2517; and Employee Benefits in Small Private Establishments, 1996, Bulletin 2507. Copies of these Bulletins are available on the Bureau's Internet site at <http://www.bls.gov/ebs>. Employment Cost Index data is available at <http://www.bls.gov/ncs/ect>.

We encourage users interested in learning more about changes to the Employer Costs for Employee Compensation to contact the Bureau of Labor Statistics. Information on the ECEC and other surveys are available on our web site at <http://www.bls.gov>. Current and historical BLS data are also posted on our Internet page at <http://www.bls.gov/ect>. ECEC data are also available through our fax-on-demand system. For a catalog of items available to be faxed to you, call our fax-on-demand number at (816) 426-3152, select menu option 1 followed by menu option 2. If you have additional questions, you can contact an Information Specialist in the Kansas City BLS information office at (816) 426-2481, menu option 0. Information from the Employer Costs for Employee Compensation program is available to sensory impaired individuals upon request. Voice phone: 202-691-5200, Federal Relay Services: 1-800-877-8339.